

The Business Intelligence Agenda

The 5 (or so) "killer" reports law firms need in the new world.

By Tony Bash

I have been working with law firms for more years than I care to remember, yet in all these years I have yet to see truly cutting edge business intelligence that truly enables a firm to make critical business decisions. Every so-called dashboard or analytical graph points backward, not forward. They report on billable hours or fees or realization rates for the month just gone and the year to date. That's all well and good but what does that tell us about what may happen in the future?

So in this new world where competition is set to grow massively from every conceivable angle, firms have to start getting smart about their BI. I am convinced that as we move forward the winners will be the firms who realize that to make decisions that count they need what I've termed "killer" BI. "Killer" status is earned only if the BI is regularly influencing (and sometimes changing) business decisions. It is:

- Timely
- Targeted to the right audience
- Relevant
- Easy to understand

In my mind, examples of the types of things a firm should be focusing their BI efforts on are:

- Targeting Business Development - as the market gets more competitive and budgets remain tight, firms need to know whether each element of their marketing and BD spend is delivering profitable work:
 - Return on Investment is (ROI)
 - Quantify marketing spend properly - including all partner and BD staff time
 - Track return on each event, campaign and initiative
- Cross selling matrix - which departments, teams, individuals (and even clients) are generating work for which departments and teams in the firm
- Pricing performance: firms must understand how the increasing spectrums of pricing methods perform, in terms of profitability. Before they can do that they have to be able to categorize their revenue into pricing methods - rate card,

discounted, fixed fee, contingent, capped, value-based. In my experience, very few firms can do this; something business leaders in other sectors would consider to be a huge business risk.

- Capacity planning: how many billable hours is each fee earner, practice group, department and firm as a whole doing on a daily, weekly and annualized basis. This has to take into account start and leave dates and part time working. Most fundamentally, it has to acknowledge and estimate the existence of unrecorded time - if lawyers are working it, even if not recording it, it is not spare capacity. Until they know this, firms can't make hiring and firing decisions on a sound business basis; which is why, in my experience, so few of them do!
- Given what you know about leverage, realization rates and achieved rate per hour, what do your average annualized billable hours need to be to make the PEP figures the firm has targeted?

There are plenty more examples in the BI armory and their priority will vary according to firm, market conditions and so on. It is about providing genuine intelligence that really gets under the skin of the firm as a business, very quickly. Firms have to move away from the bad old days of producing reams and reams of spreadsheets that are prone to error and probably never get read. They need to get their accounting professionals out into the business adding real value and influencing the big decisions.

This is truer today than ever, in an unpredictable new world where rivals will be coming at firms from angles - and with information - they hadn't even thought of.

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